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TAGS: [ECON](#) [ECPS](#) [PGOV](#) [BN](#)
SUBJECT: UPDATE ON THE GSM SECTOR SITUATION IN BENIN

REF: A) COTONOU 525 B) COTONOU 447

1.(U) Summary: The GOB continues to reform Benin's mobile telephone market. The GOB agreed, in September, to allow Areeba, now known as MTN, and Telecel-Benin, now known as Moov, to recommence operations after they agreed to pay their licensing fees (Ref A). In its latest action the GOB revoked the operating license for Moov on October 17, 2007 after it failed to pay the first portion of its GSM license fees due on October 6, 2007. The GOB then sold, on October 22, Moov's license to one of its shareholders who agreed to pay the fee. Unlike Moov, MTN paid the fees it was required to pay. End Summary.

The Strange Story of Telecel-Benin

2.(U) On October 17, the GOB revoked Moov's operating license after it failed to pay its GSM license fees. According to Desire Adadja, the GOB's Minister of Communications, Moov's minority shareholder, a company known as SARCI, refused to pay its part of the licensing fee which lead the company to miss the deadline for the first payment of USD 3.6 million (15 billion FCFA) out of USD 6.12 million (30 billion FCFA) it owes the GOB.(Reftel B). SARCI belongs to Severin Adjovi, the Minister of Commerce and then Telecommunications in former President Kerekou's government. On October 22, the GOB proceeded to sell Moov's revoked license to Etisalat, aka Atlantique Telecom, the main shareholder of the Moov group.

3.(SBU) On November 2, 2007 the dispute between the Etisalat and SARCI took an intriguing turn. In the early morning hours SARCI secured a court order giving it power to seize Moov from Etisalat. The next morning the GOB deployed the police around Moov's headquarters to prevent the enforcement of a court decision appointing a SARCI loyalist as the temporary administrator of the company. A source close the President Yayi told PolOff it was necessary to take this action as the court decision was clearly corrupt - it took the court several hours to make a decision that normally takes at least a year in Benin.

4.(U) Adjovi, SARCI's main owner, and his attorneys then accused the GOB of sending soldiers to his house to arrest him. Ajdovi was unable to substantiate his claims leading him to issue a public apology for making them on November 5, 2007. Adjovi is also having difficulty substantiating how he came to own such a large part of Moov. According to Etisalat's attorney there is no evidence that Adjovi paid for the 40% of shares in what was then known as Telecel-Benin which he acquired while he was the Minister of Commerce under former President Kerekou. He also noted that when Etilisat bought out Telecel International, Telecel-Benin's prior majority stockholder, Adjovi received an additional 9% of Telecel-Benin's shares in exchange for his agreement to the deal. In total Adjovi received 49% of Telecel-Benin without any payment on

his part. Etilisat has now established firm control of Moov which continues, as of November 19, to be under police protection.

6.(U) The GOB's decision to allow Moov to continue operating marks a change in approach from its previous actions to shut down GSM providers who did not follow the law. The GOB stated that it chose to handle this situation differently out of concern for assuring the continuation of service to GSM consumers, protecting the jobs of the company's local staff and avoiding injury to Benin's economy.

8.(U) Comment: The GOB's actions in the latest round of the GSM saga show a more flexible stance than it adopted this summer. Though its efforts to clean up the GSM service sector and require companies to pay the required licensing fees yielded success when MTN and Moov agreed to pay the licensing fees, the economic impact of the shut down of their networks was unbearable for a number of business persons whose cell phones were the only channel through which they could conduct business. It is estimated the shut-down affected approximately 950 thousand subscribers as well as a large number of people who live on profits generated by GSM related activities. The latest action the GOB took to protect Moov from an illegitimate takeover illustrates the GOB's willingness to take on corrupt politicians who use their public positions for private enrichment.
End Comment.

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